

## Medicare+Choice payment policy

**ISSUE:** Are there short-run M+C payment issues that are important for the current program and will also be important for the payment of private plans in the long run? How will payments to plans be risk adjusted? Should ESRD beneficiaries be allowed to join plans? Would payment incentives help improve the quality of care?

**KEY POINTS:** In 2004, the Secretary is introducing a risk adjustment system to more accurately reflect expected differences in health spending than either the earlier demographic system or the current interim system. The system will be implemented so that total payments to plans will not change from what it would have been under the old risk adjustment system.

Current law prohibits ESRD beneficiaries who are treated with dialysis from enrolling in Medicare+Choice. In March 2000, MedPAC recommended that ESRD beneficiaries be allowed to enroll in plans once CMS has implemented adequate risk adjustment. The new risk adjustment system may be adequate.

Generally the current M+C payment system is neutral or negative towards quality and fails to financially reward plans or providers who improve quality. In June 2003, MedPAC recommended that Medicare pursue provider or plan payment differentials to improve quality. Quality in the M+C program may improve in response to the establishment of incentive payments.

**ACTION:** Commission will comment on draft chapter on M+C payment issues and discuss any recommendations that arise.

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